

Message Text

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PAGE 01 MANILA 04904 171245Z

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ACTION EB-07

INFO OCT-01 ISO-00 EA-06 SSO-00 PM-03 L-02 INR-07 SS-15

INRE-00 /041 W

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O 171022Z APR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 2366

C O N F I D E N T I A L MANILA 4904

STADIS////////////////////////////////

E O 11652: GDS

TAGS: EAIR, RP

SUBJ: CIVAIR: HOMECOMING FARE SUSPENSION

REF: STATE 086989

1. EMBASSY BELIEVES THE PROPOSED SUSPENSION CITED REFTEL IS (A) BADLY TIMED IN TERMS OF OUR FOREIGN RELATIONS NEEDS IN THE PHILIPPINES; (B) SIGNIFICANTLY LACKING IN ATTENTION TO CURRENT REALITIES OF THE TRANS-PACIFIC FARE STRUCTURE; (C) NOT SUFFICIENTLY ATTENTIVE, EXCEPT IN THE DISSENTING OPINION CITED PARA 3 REFTEL, TO HOMECOMING'S POSITIVE ROLE IN THE PROFITABILITY OF U.S. CARRIERS; AND (D) CAN ONLY AROUSE IRRITATION AND REPRISAL AGAINST U.S. CARRIERS, SPECIFICALLY AGAINST USE OF U.S. MILITARY FARE WHICH CONTINUES TO BE CONSIDERABLY LOWER THAN THE HOMECOMING FARE IN QUESTION. EMBASSY THEREFORE RECOMMENDS CATEGORICALLY AGAINST THE PROPOSED SUSPENSION.

2. THE ECONOMIC GROUNDS FOR CHALLENGE OF THE HOMECOMING FARE ARE AT BEST MARGINAL AND THE FILIPINOS WILL IMMEDIATELY INTERPRET THIS ACTION AS RETALIATION AGAINST REFUSAL TO DATE TO REINSTATE PAN AM ALL-CARGO SERVICES. HOMECOMING FARE, AS DEPARTMENT AWARE, HAS BEEN IMPORTANT TOOL OF MARCOS EFFORT TO GET U.S. RESIDENT FILIPINOS TO TAKE A LOOK AT DEVELOPMENTS IN PHILIPPINES THEMSELVES.

CONFIDENTIAL

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PAGE 02 MANILA 04904 171245Z

WE HAVE NO BASIS TO QUARREL WITH THIS PROGRAM AS SUCH.

THE REACTION TO OUR APPEARING TO DO SO BY SUSPENDING THE FARE MOST PROBABLY WOULD BE PAL AND GOP SEARCH FOR SOME WAY TO RETALIATE, AND THE MOST LIKELY TARGET WILL BE THE U.S. MILITARY AND DEPENDENT FARE WHICH MUST BE APPROVED BY PHIL CAB AND HAS IN PAST BEEN SUSTAINED AGAINST PAL OBJECTIONS. QUITE ASIDE FROM FACT THAT LOSS OF THIS HIGHLY CONCESSIONAL FARE WOULD BE A BLOW TO THE MORALE OF OUR FORCES, IT IS HARDLY TIMELY TO START A SPITTING MATCH WITH THE PHILIPPINES ON FARE STRUCTURE WHEN DUE TO DEVELOPMENTS IN VIETNAM WE MAY NEED MAXIMUM GOOD WILL AND PATIENCE FROM THEM FOR THE USE OF CARRIERS AND AVIATION FACILITIES.

3. AS THE EMBASSY SUGGESTED WELL OVER A YEAR AGO AT THE BEGINNING OF THE SQUABBLE OVER HOMECOMING FARES, THE BASIC RATE INVOLVED IS NOT OUT OF LINE WITH ESTABLISHED EXCURSION RATE BEING OFFERED BY OTHER CARRIERS, E.G. CHINA AIRLINES AND JAL. WE NOTE THAT FARE NOW IS ESSENTIALLY IN THE MIDDLE OF A RANGE RUNNING FROM EXCURSION TO CHARTER RATES AND THAT IT IS SUBSTANTIALLY ABOVE OUR MILITARY AND DEPENDENT FARE (SLIGHTLY OVER \$650 FOR HOMECOMING SL-MANILA-SF VERSUS ABOUT \$515 FOR THE MILITARY FARE). WE BELIEVE, THEREFORE, THAT THE FARE STRUCTURAL CASE FOR ATTACKING HOMECOMING IS WEAK, UNLESS USCAB INTENDS NOW TO TAKE ON THE WHOLE REDUCED RATE STRUCTURE ON OTHER AIRLINES AND OTHER ROUTES IN THE PACIFIC.

4. THE PROFITABILITY OF HOMECOMING IS FULLY SUPPORTED BY ONE MAJOR U.S. CARRIER (NORTHWEST) WHOSE REPRESENTATIVES ACTIVELY PROMOTE IT IN THE UNITED STATES. CHINA AIRLINES AND JAL ALSO SELL THIS FARE EVEN THOUGH WE UNDERSTAND HOMECOMING TO BE A SIGNIFICANTLY HIGHER FARE THAN THESE CARRIERS OFFER ON THEIR OWN. PAN AM PROMOTES AND SELLS A COMPARABLE FARE, WHILE DECLINING TO TAKE PART IN HOMECOMING. IN VIEW OF THE FACT THAT THE GREAT MAJORITY OF HOMECOMING TRAVELLERS ORIGINATE IN AND RETURN TO THE UNITED STATES AND MANY OF THEM USE AMERICAN CARRIERS, IT IS NOT OBVIOUS FROM HERE THAT THE BALANCE OF PAYMENTS CONSEQUENCES ARE ALL THAT CONTRARY TO OUR INTERESTS.

5. WE DO NOT BELIEVE IN SHORT THAT IN EITHER ECONOMIC
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CONFIDENTIAL

PAGE 03 MANILA 04904 171245Z

OR FOREIGN RELATIONS TERMS WE HAVE AN ADEQUATE RATIONALE AT THIS TIME TO SINGLE OUT THE HOMECOMING FARE FOR SUSPENSION. AT BEST, THEREFORE, PRESIDENTIAL APPROVAL OF THIS PROPOSAL WOULD BE TAKEN AS AN AFFRONT DIFFICULT FOR MARCOS TO UNDERSTAND IN VIEW OF HIS RECENT SUCCESSFUL EFFORT TO TONE DOWN THE OUTBURSTS OF CRITICAL FILIPINO ELEMENTS RESPECTING THE U.S. POSTURE AND INTENT IN ASIA. WE CAN ONLY SEE SUCH A REACTION AS INIMICAL TO OUR EFFORT TO

MOVE WITH ESSENTIAL INTERESTS UNSCATHED THROUGH THE CRITICAL
PERIOD RESULTING FROM EVENTS IN INDOCHINA.
SULLIVAN

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIR FARES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA04904
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750134-0840
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750442/aaaabnae.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 75 STATE 086989
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by BoyleJA>; APPROVED <19 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: HOMECOMING FARE SUSPENSION
TAGS: EAIR, RP, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006